

350 Aotearoa Submission

NEW ZEALAND CLIMATE STANDARD 1: CLIMATE-RELATED DISCLOSURES GOVERNANCE AND RISK MANAGEMENT CONSULTATION

About 350 Aotearoa

350 Aotearoa is the New Zealand arm of the international climate movement 350.org, which aims to unite the world around climate change solutions. Our mission is to strengthen and grow climate action in communities across New Zealand. Our campaigns challenge the cultural acceptance of fossil fuels, and push New Zealand and the rest of the world back on track to 350ppm and, consequently, climate safety (350 is the number that leading scientists say is the safe upper limit for carbon dioxide—measured in “Parts Per Million” in our atmosphere. 350 PPM)

Background to our Submission

We thank the External Reporting Board (XRB) for the opportunity to make a submission on the Consultation Document. Our submission to XRB follows on from earlier submissions made by 350 Aotearoa in relation to the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill (the Bill) including our oral submission to the Economic Development, Science and Innovation Committee.

Scientists across the world are in agreement that we simply can not burn the carbon embedded in the reserves currently disclosed by fossil fuel companies. Given the limited timeframe to reduce global emissions and curb rising temperatures to 1.5C (the ‘critical point of no return’, according to the Intergovernmental Panel on Climate Change), now is not the time for idle behaviour or inconsistent commitments to a climate-resilient future. If we are to meet this requirement in line with 1.5C, the financing of carbon-intensive industries, crucially the fossil fuel industry needs to rapidly decline.



So while mandatory disclosure is at the forefront of climate financial risk mitigation, we believe we should be much further along. We should be well within that managed decline of fossil fuel finance.

350 Aotearoa agrees the Climate-related Disclosures Governance and Risk Management is a coherent international framework that promotes clear, consistent and comparable reporting for New Zealand to have a climate-resilient economy. If we are to achieve the targets set out in the Paris Climate Agreement and the Climate Change Response (Zero Carbon) Amendment Act, businesses must take on responsibility for enabling greenhouse gas emissions. To do so, businesses must fully understand and manage information about the associated climate-related risks. Mandatory climate-related disclosure will greatly help with transparency and accountability, in investment portfolios especially promoting accountability and encouraging the raising of standards to result in a shift away from emissions-intensive activities.

Introduction

350 Aotearoa strongly support the introduction of comprehensive and fully transparent climate disclosure that is evident in the Aotearoa New Zealand Climate Standard 1: Climate-related Disclosures (NZ CS 1) Consultation Document. We are grateful for the opportunity to provide input in this consultation, and we look forward to working with XRB and others to ensure climate disclosure creates real benefits for users of financial information and for a rapid and just transition to a stable climate.

However, we make specific recommendations to further improve transparency and stimulate the required shift in investment flows and broader decision-making to address the risks of climate change.

Recommendations

1. The objectives set for this governance standard are insufficient. Currently the objective in section 1 is: *“The objective of these disclosures is to enable primary users to understand both the role an entity’s board plays in overseeing climate-related issues, and the role management plays in assessing and managing those issues.”*



The objectives for this governance standard should be changed to reflect the impact of the reporting entity on the climate, not just the impact of the climate on the reporting entity.

2. The governance standards focus on the accountability of management to the Board but do not include mechanisms for accountability of the Board to external stakeholders.

The Disclosure section of the Governance standard should include mechanisms that enable stakeholders to hold the Board to account for climate impacts, risks and opportunities.

3. The listing of primary users is too narrowly drawn. The main rationale for mandating climate-related disclosures is to redress past practices whereby the financial sector has ignored climate risks, opportunities and impacts. These are of vital interest not only to providers of financial capital but a range of stakeholders in society.

Primary users are existing and potential investors, lenders, insurance underwriters *and those with a mandate to analyse and communicate information on climate risks, opportunities and performance.*

4. There is no corresponding section on Climate Opportunities as there is on Climate Risk. This creates an imbalance for governance mechanisms, strategy and Metrics & Targets. There is no specification for disclosure on Climate Opportunities as there is for Climate Risk. Therefore, there should be a parallel section to clearly define a similar scope of information for Climate Opportunities as for Climate Risk.

The Climate Risk section should be re-named Climate Risk and Opportunities, with a similar level of detail for Climate Opportunities included.

5. Further to the discussion on presentation requirements in the section on *Issues under Consideration*, 350 Aotearoa recommends the XRB to give further consideration for how disclosures will be available in the public domain, and building capacity in New Zealand for civil society to engage in understanding, comparing and responding to climate-related disclosures.
6. Under the *Issues under Considerations*, the XRB presents three possible scopes to interpreting GHG. 350 Aotearoa strongly supports Scope 3 as this is

crucial for the key sectors that have the highest impact on emissions, including fossil fuel production. Guidance should be provided so that Scope 3 calculations are not required where the effect on emissions is likely to be small.

Concluding Remarks

Aotearoa New Zealand has already joined global climate leadership with the passing of the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill. We encourage the XRB to strive further towards its goal of ensuring that the NZ CS 1 regime is sufficiently ambitious and forward looking to ensure that organisations take a sufficiently broad view of climate-related risks and opportunities and better evaluate risks and exposures over the short, medium, and long term.

For further information or to discuss this submission, please contact:

Alva Feldmeier

Executive Director, 350 Aotearoa

alva@350.org.nz

www.350.org.nz

